



## VERTICALLY INTEGRATED TEXTILE COMPANY

Naucalpan, Estado de Mexico, January 9, 2024 – Grupo Kaltex S.A. de C.V. and subsidiaries (Ticker: KLTXMX), a leading company in the manufacture and marketing of textile products, announced today its results for the second quarter of 2023 ended June 30, 2023. The figures presented in this report are expressed in nominal Mexican pesos, are preliminary, non-audited, prepared in accordance with IFRS and current interpretations, and may vary due to rounding.

### 2Q23 HIGHLIGHTS

Compared to the same period of last year:

- ❖ Second quarter consolidated net revenue decreased 47.7% to Ps.1,778 million, due to a weak demand coming local and international markets. Year to date, revenues decreased 41.4% Ps.3,937 million.
- ❖ Gross profit for the second quarter decreased 50.4% to Ps.77 million, while gross margin decreased to 4.3% coming from 4.6%. For the first six months of 2023 gross profit decreased 68.0% to Ps.210 million and gross margin reached 5.3%.
- ❖ Reported EBITDA for the second quarter of 2023 decreased 121% to a loss of Ps.11 million compared to a gain of Ps.53 million during the same quarter of last year. Year to date EBITDA decreased 91.3% to Ps.43 million representing 1.1% of total revenues.
- ❖ Second quarter consolidated net income increased 141% to an income of Ps.179 million compared to a loss of Ps.438 million. Year to date, net income increased 268% due to FX gains.

## MESSAGE FROM THE CEO

Dear Investor,

Although the economic turmoil we saw during the last couple of years seems to start coming to an end, there are still many indicators that we will continue facing some issues in the near future. For instance, although we saw a larger than expected reduction of inflation during the second quarter of 2023, interest rates are not expected to decrease before March 2024. Also, the expectation of a recession in the United States still kept companies cautious as to how much stock to have and how much to order from their suppliers.

In particular, regarding the textile business, imports from the US continued weakening, reaching historically low levels, even lower than those we saw during the COVID era. Although Mexico has been less affected than other countries thanks to the strengthening of the nearshoring tendency, US imports of denim trousers from Mexico suffered a 11.4%% decrease, while worldwide the decrease was 31.4%.

For Kaltex, this macroeconomic environment translated into a reduction of 47.7% in revenues for the quarter across the board. The reduction in volume sold impacted directly on our margins, as a part of our costs remain fixed regardless of the volume produced. However, continuing with the changes started at the end of the first quarter of 2023, we implemented additional ones with the intent of protecting our margins as much as possible. The most important adjustment was to lay off a significant portion of factory workers, which simultaneously led to temporarily closing some production lines in order to concentrate the operation as much as possible. This helped us by saving on salaries, energy, and even transportation within our own plants. However, the second quarter is one of the most important in terms of revenues and cash generation; this year it has been the lowest of the last years.

During the quarter, gross margin reduced significantly, which led to a loss on EBITDA. Although we think that the adjustments we implemented this quarter will help improve our margins for the second half and for the coming years, as long as the demand remains weak and our revenues continue being low, the amount of profit will remain low as well.

Thank you for your trust in Kaltex and for being with us during these difficult times.

*Rafael Kalach Mizrahi*  
Chairman of the Board & CEO

## REVENUES

Second quarter consolidated net revenues totaled Ps.1,778 million, a decrease of 47.7% or Ps.1,618 million compared to the Ps.3,396 million recorded in second quarter of 2022 mainly due to a weak demand across all out lines of business.

On an accumulated basis, revenues reached Ps.3,937 million, a decrease of 41.4% or Ps.2,778 million compared to the same months of 2022.

For the second quarter of 2023 sales to the United States represented 47.3% of total sales, while year to date they represented 52.8%. The rest of the sales were mainly done in Mexico.

## FINANCIAL PERFORMANCE

For the second quarter we recorded Ps.1,701 million of cost of sales, which represented a decrease of 47.5% compared to Ps.3,241 million reached in the same period of 2022. For the first six months of 2023, cost of sales amounted Ps.3,727 million, a decrease of 38.5% or Ps.2,330 million compared to the same period of 2022.

Consolidated gross profit amounted Ps.77 million for the quarter, which represented a decrease of 50.4% compared to Ps.155 million reached during the same quarter of 2022. Gross margin for the quarter stood at 4.3% of net sales, compared to 4.6% recorded in the same period of 2022. Year to date, gross profit reached Ps.210 million, a decrease of 68.0% compared to Ps.658 million recorded during the same period of 2022. Gross margin for the period was 5.3% compared to 9.8% for last year.

Operating expenses for the quarter amounted Ps.157 million, a decrease of 21.0% compared to the same quarter of 2022, while the ratio of operational expenses to sales for the quarter was 8.8%, compared to 5.9% during the same period of 2022. This is explained by higher expenses related to employees' layoffs. For the first half of 2023 operating expenses reached Ps.295 million, a decrease of 12.9% or Ps.44 million compared to the first half of 2022. The ratio of operational expenses to sales increased to 7.5% coming from 5.0%.

Consolidated EBITDA totaled a loss of Ps.11 million for the second quarter of 2023, a decrease of 121% a gain of Ps.53 million registered in the same period of 2022. EBITDA margin for the quarter stood at -0.6% of net revenues, compared to 1.6% registered during the same quarter of 2022. Year to date, EBITDA was Ps.43 million, a decrease of 91.3% compared to Ps.493 million for the same months of 2022.

Second quarter net interest expense was Ps.164 million, a decrease of 6.7% compared the second quarter of 2022 due to the strengthening of the Mexican Peso. For the first six months of 2023, net interest expense was Ps.319 million, an increase of 7.0%. The increase was due to higher financing interest rates.

Second quarter consolidated net income totaled Ps.179 million, an increase of 140% compared to a loss of Ps.438 million the same quarter of 2022. Year to date, net income amounted Ps.184 million, an increase from the loss of Ps.110 million reached on the same period of last year. The increase in both periods is explained by FX gains following the appreciation of the Mexican Peso.

## FINANCIAL POSITION

Cash and cash equivalents amounted Ps.118 million as of June 30, 2023, compared to Ps.221 million at 31 December 2022.

Grupo Kaltex gross debt amounted Ps.3,869 million as of June 30, 2023, compared to Ps.4,246 million as of December 31, 2022. In dollar terms, debt was US\$188 million, compared to US\$219.3 million as of December 31, 2022.

Regarding debt by currency, 70% is denominated in US Dollars and corresponds to the Senior Notes due September 2025 and the Dollar tranche of the Bancomext loan; and the remaining 30% is denominated in Mexican Pesos, corresponding to the Peso tranche of the Bancomext loan.

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## About Grupo Kaltex

Grupo Kaltex S.A. de C.V. is a 100% Mexican textile Company, vertically integrated with a business model that grants the highest standards of quality and service, which are also certified by international organizations. For almost a century, Grupo Kaltex has been dedicated to the manufacturing and marketing of textile and apparel products, processes in which innovation and growth are the main differentiators that currently place it as a leader in America.

## Forward looking statements

The information presented by the Company in this report may contain statements regarding future events and/or projected financial results. The results obtained in the future could differ from those projected in this document, since past results do not guarantee future performance. Therefore, the Company does not assume liability nor obligation for external or indirect factors occurring in Mexico or abroad.

## Investor Relations

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## CONSOLIDATED FINANCIAL STATEMENTS

 Grupo KALTEX S.A. de C.V. and Subsidiaries  
 Consolidated Income Statement

Figures in MXN thousand	Three months ended, June 30,			Six months ended, June 30,		
	2023	2022	Δ%	2023	2022	Δ%
Net revenue	1,777,987	3,396,422	-48%	3,936,837	6,714,354	-41%
Cost of goods sold	1,700,980	3,241,172	-48%	3,726,587	6,056,772	-38%
<b>Gross profit</b>	77,007	155,250	-50%	210,250	657,582	-68%
Sales expenses	59,237	55,531	6.7%	117,042	96,069	22%
Administrative expenses	98,075	143,572	-32%	178,217	242,915	-27%
Other (expenses) income net	(21,619)	(6,764)	-220%	(57,439)	(25,557)	-125%
<b>Operating profit</b>	(101,924)	(50,617)	-101%	(142,448)	293,041	-149%
<b>Comprehensive financial result</b>	259,282	(227,832)	214%	388,474	(187,403)	307%
Interest income	20	730	-97%	(59)	1,463	-104%
Interest expense	163,897	176,344	-7.1%	318,523	299,139	6.5%
Foreign exchange result	423,159	(52,218)	910%	707,056	110,273	541%
Income tax	(21,480)	159,860	113%	61,534	215,391	-71%
<b>Consolidated net result</b>	178,838	(438,309)	141%	184,492	(109,753)	268%
Depreciation	90,759	103,315	-12%	185,403	200,430	-7.5%
<b>EBITDA</b>	(11,165)	52,698	-121.2%	42,955	493,471	-91%

**Grupo KALTEX S.A. de C.V. and Subsidiaries  
Consolidated Statement of Financial Position**

*Figures in MXN thousand*

	June 30, 2023	December 31, 2022
<b>Assets</b>		
Cash & cash equivalents	118,322	220,883
Accounts receivable, net	1,919,034	2,230,526
Accounts receivable from related parties	6	11
Inventories, net	1,541,110	1,949,918
Prepaid expenses	268,993	113,616
Assets available for sale	467,869	467,869
<b>Current Assets</b>	<b>4,315,334</b>	<b>4,982,823</b>
Property, plant and equipment, net	6,409,999	9,767,517
Investment properties	777,985	862,634
Right of use asset	253,449	271,629
Other assets	95,863	100,955
<b>Non-current Assets</b>	<b>7,537,296</b>	<b>11,002,735</b>
<b>Total Assets</b>	<b>11,852,630</b>	<b>15,985,558</b>
<b>Liabilities</b>		
Bank loans	1,856,810	1,963,930
Accounts Payable to suppliers	1,420,573	1,963,762
Short term lease liability	86,329	86,329
Accounts payable to related parties	96,148	95,378
Other accounts payable and accrued liabilities	1,891,371	2,064,127
<b>Current Liabilities</b>	<b>5,351,231</b>	<b>6,143,536</b>
Long-term financial liabilities	2,012,225	2,282,082
Accounts payable to related parties	2,300,492	2,576,780
Lease liability	190,687	223,774
Employee benefits	516,227	525,002
Other accounts payable		1,126
Deferred Income Tax	1,060,756	1,414,341
<b>Non-current Liabilities</b>	<b>6,080,387</b>	<b>7,023,105</b>
<b>Total Liabilities</b>	<b>11,431,618</b>	<b>13,196,631</b>
Capital stock	4,472,829	4,435,829
Accumulated (losses) earnings	(4,051,817)	(1,464,902)
<b>Total Equity</b>	<b>421,012</b>	<b>2,788,927</b>
<b>Total Liabilities and Equity</b>	<b>11,852,630</b>	<b>15,985,558</b>

**Grupo KALTEX S.A. de C.V. and Subsidiaries**  
**Consolidated Statement of Cash Flow**

<i>Figures in MXN thousand</i>	<i>Three months ended June 30, 2023</i>	<i>Six months ended June 30, 2023</i>
<b>Cash flows from operating activities</b>		
Consolidated net income (loss)	178,838	184,492
<i>Adjustments for:</i>		
Income tax expense recognized in net loss	(21,480)	61,534
Depreciation and amortization	90,759	185,403
Interest income	138	59
Interest expense	163,897	318,523
Unrealized foreign exchange	(423,159)	(707,056)
	<b>(11,007)</b>	<b>42,955</b>
<b>Changes in working capital</b>		
<i>(Increase) decrease in:</i>		
Accounts receivable, net	590,381	443,253
Inventories, net	269,782	408,808
Prepaid expenses	(394,986)	(155,377)
Other assets	(4,972)	5,816
<i>(Increase) decrease in:</i>		
Accounts payable to suppliers	(269,314)	(543,189)
Accounts payable to related parties	793	775
Other accounts payable and accrued liabilities	(896,120)	(729,537)
Direct employee benefits	22,892	-
Advanced payments from customers	2,593	-
Income taxes paid	-	-
Retirement employee benefits	60,258	-
<b>Net cash flows generated by operating activities</b>	<b>(629,701)</b>	<b>(526,496)</b>
<i>Cash flows from investing activities:</i>		
Interest received	(79)	-
Acquisition of property, plant and equipment, net	718,589	733,213
Capital increase	37,000	37,000
<b>Net cash flows (generated by) used in investing activities</b>	<b>755,510</b>	<b>770,213</b>
<i>Cash flows from financing activities:</i>		
Payments of debt, net	(178,649)	(376,977)
Proceeds from related parties, net	(94,930)	(276,288)
Interest paid	(163,956)	(318,582)
Lease payments	(110,561)	(33,087)
Dividends paid	(48,400)	(48,400)
<b>Net cash flow (used in) generated by financing activities</b>	<b>(596,496)</b>	<b>(1,053,334)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(470,687)</b>	<b>(809,617)</b>
Effects of exchange rate changes on cash flows	379,737	707,056
<b>Cash and cash equivalents at beginning of period</b>	<b>209,272</b>	<b>220,883</b>
Cash and cash equivalents at end of period	118,322	118,322